The Antitrust Analysis of Rules and Regulations for Online Platforms

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I. BACKGROUND
Many companies have products or services that are platforms or offer products or services that themselves are parts of platforms.
• Many businesses in our daily lives are multi-sided platforms:
  - Matchmakers
    - Audience building
    - Intermediaries

• Online platforms play an important role in promoting innovation, competition and economic growth
Business model not new, but increasingly popular

Old and Physical
- Shopping malls
- Newspapers
- Local markets
- Village matchmaker
- Financial exchanges
- Credit and debit cards

Recent and Online
- Advertising-supported internet services like Naver
- eCommerce platforms like ECPlaza
- Social media platforms like Nate
- Smartphone operating systems like Bada
- Online matchmaking

Brand New Online/Offline
- Kakao Taxi and T-map Taxi for taxi services
- Hanatour for travel agencies
- Dinning Code for local services
- Order online pick up offline
- Mobile payments

Mobile devices are foundation of platforms that use online technologies to reduce frictions in physical world; convergence of online and physical world.
• Strategies to ignite
  ➢ Both sides are essential for launch: get both sides on board
  ➢ Critical mass

• Strategies to increase value
  ➢ A virtual and physical place to get different types of customers to get together
  ➢ Ways to connect and create value
  ➢ Manage externalities to increase value that each side can benefit from the platform
• Platform maximizes value

➢ Pricing
  - Relative prices to different sides
  - Access charges and variable fees

➢ Design strategy
  - Facilitating interactions
  - Bringing more customers on board

➢ Platform regulations and rules
  - Regulating interactions
  - Preventing genitive externalities
II. ONLINE PLATFORM EXTERNALITIES AND GOVERNANCE
Positive and Negative Externalities

• Positive externalities
  – Encourage more participation to increase private and social value of the platform
  – Create application stores and encourage users to find bugs

• Negative externalities
  – App stores manage and control bad behaviors from developers.
  – Fragmentation
    • Compatibility issues
    • could be a more serious problem for the platforms that use an open-source license
Rules and Standards to Manage Externalities

• Employ systems to balance the interests of one set of actors against the other

➢ The value of online platforms depends on the ability to
  □ promote positive externalities
  □ reduce negative externalities

➢ Online platforms usually take governance strategy to manage externalities
  □ impose rules and standards
  □ monitor the quality of complementary products and exclude those that do not follow rules
III. COMPETITION POLICY ISSUES
Competition Policy Should Exercise Caution

• Traditional economic theory might not necessarily hold for multi-sided platforms

• Governance rules that limit negative externalities increase the value of the platform
  – strengthen the ability of the software platform to compete against rivals with a full control over fragmentation (proprietary model)
    ☑ Increase inter-brand competition

  – narrow the degree of differentiation between variants of software platform and the number of alternative viable versions of the platform
    ☑ reduce intra-brand competition
Thank You!

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